WALL STREET JOURNAL

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Financing Business

Philip Morris Plans to Offer $75 Million of Debentures

NEW YORK Philip Morris Inc. said it plans to publicly offer sometime next month $75 million of 25-year sinking fund debentures to retire an equal amount of bank debt.

The nation's fourth-largest cigaret maker, which also produces razors and razor blades, toiletries and textile chemicals, said the proposal has been registered with the Securities and Exchange Commission.

An underwriting team headed by Lehman Brothers and Goldman, Sachs & Co. will make the offering.

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NEW YORK TIMES

Lybrand Employes Fined a Total of $17,000 For Conspiring to Rig Vending Firm's Data

By a WALL STREET JOURNAL *Staff Reporter*

NEW YORK—Two partners and another employe of Lybrand, Ross Bros. & Montgomery were fined a total of $17,000 for their roles in certifying Continental Vending Machine Corp.'s financial statements more than five years ago.

The three members of the big, nationwide accounting firm were convicted by a jury last June in a Federal district court on one count of conspiracy and two of mail fraud. Carl J. Simon, 44-year-old general partner in charge of Lybrand's New York office, received a total fine of $7,000. Robert H. Kaiser, also 44 and a partner in the firm, and Melvin S. Fishman, a 38-year-old audit manager, were fined $5,000 each. The totals included maximum $1,000 fines on each of the two mail-fraud counts.

David W. Peck, an attorney with the New York law firm of Sullivan & Cromwell, which represented the Lybrand men, said a prompt appeal would be filed with the U.S. Court of Appeals. The fines were stayed pending the appeal. It isn't expected that the case will come before the appellate court until early next year.

The case has been closely watched by the accounting profession and is expected by many experts in the field to have a far-reaching impact whatever the final outcome. This is because a key element was whether the three Lybrand men violated so-called generally accepted accounting principles in their dealings with Continental Vending.

1962 Reports Involved

In essence, the Lybrand men were charged with conspiring to put false information in the vending concern's 1962 financial reports to shareholders and the Securities and Exchange Commission, and with conspiring to leave out some material facts from the reports.

During two lengthy trials, the first of which ended in a hung jury, the Government and defendants both called upon expert witnesses who sharply contradicted each other over what are regarded as "generally accepted accounting principles." Federal Judge Walter R. Mansfield, when he imposed the sentence yesterday, took note of the "considerable difference of opinion over what balance sheet disclosures would have been appropriate." In light of the jury's verdict, however, Judge Mansfield suggested that the accounting profession would do well to revise its accounting principles and standards. He also suggested that the SEC tighten its own regulations if it believed fuller disclosure of corporate financial information was needed.

The penalties imposed on the accountants could have been much stiffer. Each of the three counts carry in addition to fines, a possible prison term of up to five years. Judge Mansfield, however, said at the outset of the sentencing that he saw "no purpose to be served" in a jail term, considering the backgrounds and professional standing of the defendants. Relatives of the three men, who were sitting in the courtroom, wept openly when Judge Mansfield made the statement.

"Sloppy Bit of Business"

Judge Mansfield said the accountants were guilty of "a pretty sloppy bit of business" in putting together a footnote for Continental Vending's 1962 balance sheet. The footnote later turned out to be a major element in the Government's case. The Government contended the footnote misled readers of the statement into believing that a major asset in the form of an account receivable from Valley Commercial Corp., an affiliate, was adequately secured by collateral. The Government also charged that the footnote covered up the true status of the collectibility of the receivable.

The Government had charged the footnote helped conceal the fact that Harold Roth, the former president of Continental Vending, was actually siphoning off money from the company for his personal use through Valley Commercial, which he also controlled.

Mr. Roth was named as a defendant, along with the three Lybrand men, when a Federal grand jury returned an indictment in October 1966. He later pleaded guilty to one count of conspiracy and appeared as a witness for the prosecution in the accountants' trial. Mr. Roth is scheduled to be sentenced Oct. 8. Still open against him are five mail-fraud counts.

Source: https://www.industrydocuments.ucsf.edu/docs/tzkk0000